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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
OAKLAND DIVISION**

AFFINITY LABS OF TEXAS, LLC,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD.,  
SAMSUNG ELECTRONICS AMERICA, INC.,  
SAMSUNG TELECOMMUNICATIONS  
AMERICA, LLC f/k/a SAMSUNG  
TELECOMMUNICATIONS AMERICA, L.P.,  
HIGH TECH COMPUTER CORP., a/k/a HTC  
CORP., H.T.C. (B.V.I.) CORP., AND HTC  
AMERICA, INC.,

Defendants.

Case No: C-14-2717-YGR

**NOTICE OF MOTION AND MOTION  
TO STAY THIS ACTION PENDING  
INTER PARTES REVIEW, INTER  
PARTES REEXAM, AND EX PARTE  
REEXAM PROCEEDINGS**

**JURY TRIAL DEMANDED**

Hearing Date: August 5, 2014

Time: 2:00 p.m.

Courtroom: 5, Second Floor

Judge: The Honorable  
Yvonne Gonzalez Rogers

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**NOTICE OF MOTION**

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on August 5, 2014 at 2:00 p.m., or as soon thereafter as the matter can be heard, in the courtroom of the Honorable Judge Yvonne Gonzalez Rogers, located at 1301 Clay Street, Oakland, California 94612, Defendants Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC (collectively, “Samsung”), and High Tech Computer Corp. a/k/a HTC Corp., HTC America, Inc. (collectively, “HTC”) (collectively, “Defendants”) will and hereby do move for an Order to stay this case pending resolution of the *inter partes* review, *inter partes* reexamination, and *ex parte* reexamination proceedings before the United States Patent and Trademark Office (“USPTO”) of all five patents in suit.

This Motion is based on the pleadings, the following Memorandum, the Declaration of Christopher M. Bonny and corresponding exhibits, and the [Proposed] Order submitted herewith, and such other further papers and argument as may be submitted to the Court with the Motion.

**MEMORANDUM OF POINTS AND AUTHORITIES****I. INTRODUCTION**

Defendants Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC (collectively, “Samsung”), and High Tech Computer Corp. a/k/a HTC Corp., HTC America, Inc. (collectively, “HTC”) (collectively, “Defendants”)<sup>1</sup> respectfully request that the Court stay this action pending resolution of the *inter partes* review, *inter partes* reexamination, and *ex parte* reexamination proceedings before the United States Patent and Trademark Office (“USPTO”) of all five patents in suit: U.S. Patent No. 7,187,947 (“the ’947 patent”), U.S. Patent No. 7,324,833 (“the ’833 patent”), U.S. Patent No. 7,634,228 (“the ’228 patent”), U.S. Patent No. 7,953,390 (“the ’390 patent”), and U.S. Patent No. 8,359,007 (“the ’007 patent”) (collectively the “Asserted Patents”).

<sup>1</sup> Defendants LG Electronics, Inc., LG Electronics USA, Inc. and LG Electronics MobileComm U.S.A., Inc. have settled and thus are not participating in this motion. (D.I. 44).

1           There is nothing novel claimed in the Asserted Patents. Indeed, the Federal Circuit  
 2 recently affirmed the USPTO's finding that all claims of a related patent in the same family —  
 3 U.S. Patent No. 7,486,926 ("the '926 patent") — are invalid as obvious in view of the prior art.  
 4 *In re Affinity Labs of Texas, LLC*, 2014 WL 67930 (Fed. Cir. Jan. 9, 2014). Likewise, the  
 5 USPTO has already rejected every asserted claim of the '947 and '833 patents and nearly every  
 6 asserted claim of the '228 patent on several occasions and on several grounds. For the '833 and  
 7 '228 patents, those rejections are final and are now being reviewed on appeal to the Patent Trial  
 8 and Appeal Board ("PTAB") of the USPTO. On May 20, 2014, the USPTO instituted *inter*  
 9 *partes* reviews ("IPRs") for every asserted claim of the '390 patent, finding that there is a  
 10 reasonable likelihood that each asserted claim is invalid. Defendants have also filed IPRs on all  
 11 of the asserted claims of the '007 patent, and the USPTO will be issuing its decision on  
 12 institution by August 2014. By statute, the USPTO must issue a final determination in the IPRs  
 13 within 12-18 months after institution.

14           Whatever the results of the USPTO proceedings, those results will change and/or narrow  
 15 the issues to be decided in this litigation. Each claim that is found to be invalid cannot be  
 16 asserted against Defendants in this case. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d  
 17 1330, 1340 (Fed. Cir. 2013) ("[W]hen a claim is cancelled, the patentee loses any cause of  
 18 action based on that claim, and any pending litigation in which the claims are asserted becomes  
 19 moot."), *cert. denied*, 572 U.S. \_\_\_, 2014 WL 900823 (May 19, 2014). If claims are amended  
 20 during the PTO proceedings, the amendments will eliminate past damages and this litigation  
 21 should focus on those amended claims, not the claims currently asserted. And once the IPR  
 22 proceedings for the '390 and '007 patents are final, Defendants will be estopped from asserting,  
 23 in this litigation, any invalidity ground they raised or reasonably could have raised in those IPR  
 24 proceedings. Given the high probability that the USPTO proceedings will simplify the issues in  
 25 this case, a stay is proper to avoid needless burden on the Court and the parties.

26           In addition, only minimal discovery has been conducted in this case — a single, third-  
 27 party deposition has taken place and Affinity's infringement contentions admittedly are  
 28 incomplete. Furthermore, because Affinity is a non-practicing entity and is not a competitor in

the marketplace with Defendants, it will not suffer any prejudice from a stay. For these reasons and consistent with the objectives of Congress in providing these mechanisms for challenging patent validity, Defendants respectfully request that the Court grant a stay of the litigation pending completion of the USPTO proceedings.

## **II. BACKGROUND**

### **A. The Parties**

Plaintiff Affinity Labs of Texas, LLC (“Affinity”) is a Texas limited liability company that was founded in 2008. Affinity’s business is the enforcement and licensing of a portfolio of patents that all purport to claim priority to a patent application filed on March 28, 2000 by patent attorney Russell White and patent agent Kevin Imes. Affinity has been involved in litigation almost continuously since its founding. Affinity does not make or sell any product or service.

Defendants are manufacturers of consumer electronics with offices in Asia and in the United States. Defendants manufacture a wide variety of electronic devices, including smartphones and tablets that are accused of infringement in this case.

### **B. Procedural History and Case Status**

On November 20, 2012, Affinity filed its Complaint against Defendants in the Eastern District of Texas, alleging infringement of the ’947, ’833, ’228 and ’390 patents. (*Affinity Labs of Texas, LLC v. Samsung Elect. Co., Ltd., et al.*, No. 1:12-cv-00557-RC (E.D. Tex.) (“EDTX Action”), D.I. 1) On February 13, 2013, Affinity filed an Amended Complaint, adding the ’007 patent. (EDTX Action, D.I. 29) All five Asserted Patents are in the same “family” and share the same patent specification.

On July 3, 2013, Defendants moved to transfer this case from the Eastern District of Texas to the Northern District of California. (EDTX Action, D.I. 67) On September 18, 2013, Judge Clark conditionally granted Defendants’ motion to transfer, effective upon entry of the Court’s claim construction Order on the ’833 and ’228 patents. (EDTX Action, D.I. 97) On January 10, 2014, Judge Clark conducted a claim construction hearing on these patents, and on June 4, 2014 issued a claim construction Order and an Order transferring this case to the

1 Northern District of California. (EDTX Action, D.I. 186, 187) Affinity filed an emergency  
 2 motion to reconsider the transfer Order on June 18, 2014. (EDTX Action, D.I. 189) On June  
 3 24, 2014, Judge Clark denied Affinity's motion and closed the case. (EDTX Action, D.I. 196)

4 On August 12, 2013, Affinity first notified Defendants of the asserted claims in this case  
 5 (37 in total). On that same day, Affinity served initial infringement contentions, which  
 6 identified over 700 accused products. Affinity has not yet completed its infringement  
 7 contentions with respect to source code — its next supplementation is due July 7, 2014.<sup>2</sup> Fact  
 8 discovery in this case has commenced but is still in its early stages. The parties have exchanged  
 9 written interrogatories and responses, and have produced documents. However, only a single  
 10 third-party deposition has been taken. No expert reports have been submitted. The claim  
 11 construction process on the '947, '390 and '007 patents has not even begun. And, no trial date  
 12 has been set.

### 13 C. All of the Asserted Patents Are Before the USPTO

14 All of the Asserted Patents in this litigation are currently involved in USPTO  
 15 proceedings. From 2008 to 2011, defendants in prior lawsuits filed *ex parte* and *inter partes*  
 16 reexamination proceedings challenging the patentability of the claims of the '947, '833, and  
 17 '228 patents.<sup>3</sup> These proceedings are now in their late stages. Importantly, every asserted  
 18 claim of the '947 and '833 patents stands rejected by the USPTO. All asserted claims of the  
 19 '833 patent have been finally rejected, and the proceedings are currently at the appellate stage  
 20 before the PTAB. (Bonny Exs. B and C) In addition, all asserted claims of the '947 patent  
 21 remain rejected after four years of examination. (Bonny Ex. D) Furthermore, seven of the nine  
 22  
 23

24  
 25 <sup>2</sup> Affinity indicated that it may need even more time to complete its infringement contentions  
 26 because of a third party subpoena it served on Google. Google responded to the subpoena, but  
 27 has not yet produced source code because Google's third-party Protective Order had not been  
 28 entered by the E.D. Tex. court. Moreover, Defendants believe Affinity's infringement  
 contentions are deficient in several important respects.

<sup>3</sup> A table identifying each of the pending USPTO reexamination proceedings is submitted  
 herewith. (Declaration of Christopher M. Bonny ("Bonny") Ex. A)



1 asserted claims of the '228 patent have been finally rejected, and the *inter partes* reexamination  
 2 proceeding is currently at the appellate stage before the PTAB.<sup>4</sup> (Bonny Ex. G)

3 For the more recently issued '390 and '007 patents, Defendants filed petitions for IPR on  
 4 December 2, 2013 and January 31, 2014, respectively. (Bonny Exs. H–K) On May 20, 2014,  
 5 the USPTO instituted IPRs for every asserted claim of the '390 patent. (Bonny Exs. L and M)  
 6 Defendants are awaiting the decisions on institution for the '007 patent IPRs which Defendants  
 7 expect will issue by August 2014. As discussed below, IPR proceedings must conclude within  
 8 12-18 months after institution.

#### 9 **D. *Inter Partes* Review**

10 In enacting the Leahy-Smith America Invents Act (“AIA”), Congress sought “to  
 11 establish a more efficient and streamlined patent system that will improve patent quality and  
 12 limit unnecessary and counterproductive litigation costs” and “to create a timely, cost-effective  
 13 alternative to litigation.” *Changes to Implement Inter Partes Review Proceedings, Post-Grant*  
 14 *Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed.  
 15 Reg. 48680-01 (Aug. 12, 2012) (codified at 37 C.F.R. §§ 42.100 et seq.). Among other things,  
 16 the AIA introduced a new IPR mechanism, which replaced the previous *inter partes*  
 17 reexamination procedure.

18 IPR provides an accelerated timeline for review of patents in which the IPR, if instituted,  
 19 must conclude within 12-18 months. *See* 35 U.S.C. § 316(a)(11); 37 C.F.R. § 42.100(c). This  
 20 mechanism is considerably faster than the previous *inter partes* reexamination, whose duration  
 21 ranged from 28.9 to 41.7 months. 77 Fed. Reg. 48680-01 at 48721. The PTAB must decide  
 22 whether to institute an IPR within 6 months of filing. *See* 35 U.S.C. § 314(b). And institution  
 23 requires “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of  
 24 the claims challenged in the petition.” 35 U.S.C. § 314(a). Additionally, estoppel precludes the  
 25 petitioner from asserting invalidity during a later civil action “on any ground that the petitioner

26 <sup>4</sup> With respect to the other two claims, the validity of claim 6 of the '228 patent is on appeal  
 27 (Bonny Ex. E); and the USPTO has decided not to maintain the final rejections of claim 3 due to  
 28 estoppel against the requestor Volkswagen (Bonny Ex. F). Such estoppel does not apply to the  
 Defendants in this case, who can assert the prior art that was the subject of the USPTO’s final  
 rejections.

1 raised or reasonably could have raised during that *inter partes* review.” 35 U.S.C. § 315(e)(2).  
 2 The IPR proceedings are conducted before a panel of technically-trained Administrative Patent  
 3 Judges of the PTAB. *See* 35 U.S.C. §§ 6(a)-(c), 311.

### 4 **III. LEGAL STANDARD**

5 “Courts have inherent power to manage their dockets and stay proceedings, including the  
 6 authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*,  
 7 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (internal citations omitted). A stay may be  
 8 “particularly justified where the outcome of the reexamination would be likely to assist the court in  
 9 determining patent validity and, if the claims were cancelled in the reexamination, would eliminate  
 10 the need to try the infringement issue.” *In re Cygnus Telecomms. Tech., LLC Patent Litig.*, 385 F.  
 11 Supp. 2d 1022, 1023 (N.D. Cal. 2005).

12 When evaluating a request to stay litigation pending a reexamination or IPR, district  
 13 courts generally consider three factors: (1) whether discovery is complete and a trial date is set;  
 14 (2) whether a stay will simplify the issues in the litigation and facilitate the trial of that case; and  
 15 (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-  
 16 moving party. *Software Rights Archive, LLC v. Facebook, Inc.*, No. 12-CV-3970-RMW, 2013  
 17 WL 5225522, at \*2 (N.D. Cal. Sept. 17, 2013) (new IPR); *see also Pragmatus AV, LLC v.*  
 18 *Facebook, Inc.*, No. 11-CV-00494-EJD, 2011 WL 4635512, at \*2 (N.D. Cal. Oct. 5, 2011) (old  
 19 *inter partes* reexamination). All of these factors weigh in favor of staying this litigation.

### 20 **IV. ARGUMENT**

21 Here, all three factors favor a stay because (1) discovery is in the early stages and a trial  
 22 date has not been set, (2) the determinations by the USPTO on the Asserted Patents will  
 23 simplify the issues in litigation, and (3) Affinity will not be unduly prejudiced.

#### 24 **A. The Litigation is in the Early Stages and a Trial Date Has Not Been Set**

25 As set forth above, this litigation is still in its early stages. Affinity has not yet  
 26 completed its infringement contentions, only a single third-party deposition has occurred, the  
 27 claim construction process on three of the five Asserted Patents has not begun, expert reports  
 28 have not been submitted, and a trial date has not been set. Under these circumstances, the first

1 factor weighs in favor of staying the litigation. *See Pragmatus AV, LLC v. Facebook, Inc.*, No.  
 2 11–CV–02168–EJD, 2011 WL 4802958, at \*3 (N.D. Cal. Oct. 11, 2011) (“When, as here, there  
 3 has been no material progress in the litigation, courts in this district strongly favor granting stays  
 4 pending *inter partes* reexamination.”).

5 The fact that Judge Clark has issued a claim construction order for two of the five  
 6 Asserted Patents does not sway this analysis. The situation here closely parallels the procedural  
 7 posture in *PersonalWeb Techs., LLC v. Facebook, Inc.*, where multiple related patent  
 8 infringement lawsuits were filed at different times against distinct defendants, and only a subset  
 9 of the parties moved to transfer to this district. *See* No. 5:13–CV–01356–EJD, 2014 WL  
 10 116340, at \*1 (N.D. Cal. Jan. 13, 2014). In such circumstances, when a court has conducted a  
 11 pre-transfer claim construction proceeding to conserve judicial resources, a stay is still  
 12 appropriate. *See id.* at \*1, \*3 (granting motion to stay pending IPRs after a claim construction  
 13 order had issued in connection with a conditional transfer from E.D. Tex. to N.D. Cal., and  
 14 when the close of fact discovery was “fast approaching”); *see also Convergence Techs. (USA),*  
 15 *LLC v. Microloops Corp.*, No. 10-2151, 2012 WL 1232187, at \*2 (N.D. Cal. Apr. 12, 2012)  
 16 (granting stay in view of reexamination where the parties had already submitted claim  
 17 construction briefs).

18 Here, the ’228 and ’833 patents were separately asserted against Ford and GM in a co-  
 19 pending litigation. Judge Clark had also previously construed claim terms of the ’228 and ’833  
 20 patents, and found that judicial economy favored conducting a single claim construction hearing  
 21 involving Defendants, Ford, and GM prior to transfer. (EDTX Action, D.I. 97 at 1) Defendants  
 22 moved to stay this case immediately following Judge Clark’s issuance of the claim construction  
 23 Order and the Order denying Affinity’s emergency motion to reconsider the Court’s transfer  
 24 Order. *See PersonalWeb Techs.*, 2014 WL 116340, at \*3 (“While motions to stay typically  
 25 could have been filed in the midst of these activities, any such motion in these particular cases  
 26 may reasonably have been considered inappropriate, given the pending conditional transfer to  
 27 this district.”).

**B. A Stay Will Simplify the Issues in This Case**

The second factor heavily weighs in favor of staying this litigation. As discussed above, all of the Asserted Patents are currently before the USPTO in IPR, *inter partes* reexamination, or *ex parte* reexamination. Indeed, it is highly likely that the majority of the asserted claims will either be cancelled or modified in light of these USPTO proceedings.<sup>5</sup> Accordingly, a stay would likely simplify the issues in this case while conserving both the Court's and the parties' resources.

As explained above, all of the Asserted Patents are currently undergoing review before the USPTO. More specifically, *the USPTO has rejected, on several occasions and on a variety of grounds, every asserted claim of the '833 and '947 patents*. All of the asserted claims of the '833 patent have been finally rejected during reexamination and are at the appellate stage (Bonny Exs. B and C); and all of the asserted claims of the '947 patent continue to be rejected after 4 years of reexamination (Bonny Ex. D). Additionally, the USPTO *inter partes* reexamination proceeding for the '228 patent is currently at the appellate stage before the PTAB and seven of the nine asserted claims have been rejected. (Bonny Exs. E–G) For *ex parte* reexaminations filed since the procedure became available in 1981, 73 percent resulted in changed claims or all claims cancelled.<sup>6</sup> For *inter partes* reexaminations filed since the procedure became available in 1999, 92 percent resulted in changed claims or all claims cancelled.<sup>7</sup>

<sup>5</sup> For example, the Federal Circuit has affirmed the invalidity of the '926 patent. The '926 patent is not asserted in this case, however, it is in the same patent family as the Asserted Patents and claims many of the same claim limitations that are found in the Asserted Patents. The '926 patent is the first patent in the family to complete USPTO reexamination and appeal through the Federal Circuit. *In re Affinity Labs of Texas, LLC*, No. 2013-1393, 2014 WL 67930 (Fed. Cir. Jan. 9, 2014). During oral argument before the Federal Circuit, one member of the Federal Circuit panel stated with respect to Claim 1 of the '926 patent: "When I look at Claim 1, I see a bunch of claim limitations all of which . . . seem to be in the prior art. . . . Why wasn't the court reasonably correct in finding the claimed subject matter to be obvious?"

<sup>6</sup> "Ex Parte Reexamination Filing Data," available at [http://www.uspto.gov/patents/stats/ex\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY2013.pdf](http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf) (last accessed June 25, 2014). (Bonny Ex. N)

<sup>7</sup> "Inter Parte Reexamination Filing Data," available at [http://www.uspto.gov/patents/stats/inter\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY2013.pdf](http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf) (last accessed June 25, 2014). (Bonny Ex. O)

1 With respect to the ‘390 and ‘007 patents, on May 20, 2014, the USPTO instituted IPRs  
 2 for *every asserted claim of the ‘390 patent finding that there is a “reasonable likelihood” that*  
 3 *the asserted claims of the ‘390 patent are invalid.* (Bonny Exs. L and M) And Defendants are  
 4 currently awaiting a decision from the USPTO on institution of the ‘007 patent IPRs, which the  
 5 USPTO is expected to issue by August 2014. The ‘007 patent IPRs rely, in part, on some of the  
 6 same prior art references that formed the basis for the USPTO’s institution of the ‘390 patent  
 7 IPRs. According to statistics published by the USPTO in fiscal year 2013, 87 percent of  
 8 petitions for IPR were granted.<sup>8</sup> Thus it is highly likely that the ‘007 patent IPRs will also be  
 9 instituted.

10 Considering the current status and likely disposition of each USPTO proceeding for the  
 11 five Asserted Patents, there is a strong possibility that nearly all of Affinity’s infringement  
 12 allegations will be moot based on invalidity alone. *See Fresenius*, 721 F.3d at 1340; *see also*  
 13 *Evolutionary Intelligence LLC v. Yelp Inc.*, No. C–13–03587 DMR, 2013 WL 6672451, at \*6  
 14 (N.D. Cal. Dec. 18, 2013) (“Here, if the PTAB cancels all of the asserted claims of the Asserted  
 15 Patents, this action will be rendered moot. Should the PTAB cancel or narrow any of the  
 16 asserted claims of the Asserted Patents, the scope of this litigation may be significantly  
 17 simplified.”). Thus, a stay has a significant and realistic chance of simplifying the issues in this  
 18 case by eliminating the vast majority of the asserted claims.

19 As the Federal Circuit explained in *Gould v. Control Laser Corp.*, “[o]ne purpose of the  
 20 reexamination procedure is to eliminate trial of [an] issue (when [a] claim is canceled) or to  
 21 facilitate trial . . . by providing the district court with the expert view of the PTO (when a claim  
 22 survives the reexamination proceeding).” 705 F.2d 1340, 1342 (Fed. Cir. 1983). This rationale  
 23 has been adopted by many judges throughout the Northern District of California in their  
 24 decisions to stay cases pending reexamination. *See, e.g., Target Therapeutics, Inc. v. SciMed*  
 25 *Life Sys., Inc.*, No. C–94–20775 RPA (EAI), 1995 WL 20470, at \*2 (N.D. Cal. Jan. 13, 1995)

26 <sup>8</sup> “AIA Progress Statistics,” available at [uspto.gov/ip/boards/bpai/stats/](http://uspto.gov/ip/boards/bpai/stats/aia_statistics_10_23_2013.pdf)  
 27 [aia\\_statistics\\_10\\_23\\_2013.pdf](http://uspto.gov/ip/boards/bpai/stats/aia_statistics_10_23_2013.pdf) (last accessed June 25, 2014). According to these statistics, 167  
 28 IPR trials were instituted in FY 2013 and only 26 petitions were denied. *Id.* The remaining 10  
 petitions were disposed of by joinders. *Id.* Many sources cite an 82 percent institution rate for  
 FY 2013, but that figure misleadingly lumps joinders together with denials. (Bonny Ex. P)

1 (“[W]aiting for the outcome of the reexamination could eliminate the need for trial if the claims  
 2 are cancelled or, if the claims survive, facilitate trial by providing the court with expert opinion  
 3 of the PTO and clarifying the scope of the claims.”); *Finjan, Inc. v. Fireeye, Inc.*, No. C-13-  
 4 03133 SBA, 2014 WL 2465267, at \*2 ( N.D. Cal. June 2, 2014) (“If the PTO finds that some or  
 5 all of the asserted claims of the reexamination patents are invalid or subject to modification, the  
 6 Court will have wasted judicial resources and the parties will have unnecessarily expended  
 7 funds addressing invalid claims or claims subsequently modified during reexamination. . . .  
 8 Moreover, the PTO’s expert opinion will provide guidance for the Court on the pertinent  
 9 issues.”).

10 In addition, the Federal Circuit’s decision in *Fresenius* highlights the benefit of staying a  
 11 case pending reexamination to avoid any duplicative efforts by the USPTO and a district court  
 12 in assessing the validity of the Asserted Patents. In *Fresenius*, both the district court and the  
 13 USPTO were concurrently adjudicating the validity of the patent at issue. 721 F.3d at 1332.  
 14 The district court declined to stay the litigation pending reexamination. *Id.* at 1335. The  
 15 Federal Circuit later affirmed the USPTO’s finding of invalidity of the patent at issue and went  
 16 on to hold that “a final PTO decision affirmed by [the Federal Circuit] [must] be given effect in  
 17 pending infringement cases that are not yet final.” *Id.* at 1346. Thus, the outcome of the  
 18 USPTO proceedings ultimately superseded the district court’s earlier judgment on validity of  
 19 the patent at issue. *Id.* at 1341.

20 Moreover, “[e]ven if the[] claims are not all cancelled, the IPR could encourage  
 21 settlement or lead to amendments to the claims, which could create intervening rights and limit  
 22 potential damages.” *Software Rights Archive, LLC v. Facebook, Inc.*, No. C-12-3970 RMW,  
 23 2013 WL 5225522, at \*5 (N.D. Cal. Sept. 17, 2013). In addition, with regard to the ‘390 and  
 24 ‘007 patent IPRs, once the USPTO enters a final written decision in those IPRs under 35 U.S.C.  
 25 § 318(a), Defendants will be estopped from asserting, in this litigation, any invalidity ground it  
 26 raised or reasonably could have raised in the IPR petitions. 35 U.S.C. § 315(e) (2). Therefore,  
 27 in that regard, staying this litigation pending final written decisions by the USPTO will result in  
 28 a reduction and simplification of the issues in the litigation.



**C. A Stay Would Not Create Undue Prejudice to Affinity Or a Clear Tactical Advantage to Defendants**

Affinity will not be subjected to undue prejudice or tactical disadvantage if the Court stays this litigation pending resolution of the USPTO proceedings. Because the possibility of a delay is present in every case where a stay is sought pending reexamination, “Courts have long acknowledged that a delay inherent to a stay does not, in and of itself, constitute prejudice.” *PersonalWeb Techs.*, 2014 WL 116340, at \*5. Thus, any prejudice that Affinity claims might result because of the mere passage of time, including for example, the possibility of employees leaving the company or witness memory fading, “are consequences that apply to any case where reexamination is sought and cannot alone demonstrate undue prejudice.” *Evolutionary Intelligence*, 2013 WL 6672451, at \*8.

In addition, Affinity is a non-practicing entity in the business of licensing its patents and is not a competitor in the marketplace with Defendants. “[C]ourts have consistently found that a patent licensor cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement.” *Pragmatus*, 2011 WL 4802958, at \*4; *see also Finjan*, 2014 WL 2465267 at \*6-7. Thus, Affinity can be adequately compensated with monetary damages for any infringement and will not suffer any prejudice because of a stay. Indeed, it appears that nearly all of the Northern District of California cases that denied a motion to stay pending IPR involved direct competitors. *See, e.g., Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. C 12-05501 SI, 2014 WL 121640, at \*3 (N.D. Cal. Jan. 13, 2014).

Furthermore, any delay from staying the case will only be for a limited amount of time. By statute, the USPTO must issue a decision in the ‘390 patent IPRs in the timeframe of May-November 2015; and if the ‘007 patent IPRs are instituted, Defendants estimate that they would conclude in the timeframe of August 2015-February 2016. The *ex parte* and *inter partes* reexamination proceedings of the ‘947, ‘833, and ‘228 patents are already nearing completion, with all asserted claims of the ‘947 and ‘833 patents and nearly every asserted claim of the ‘228 patent currently found invalid. Therefore, a stay to allow the IPRs and reexaminations to proceed will not cause a significant delay to this case.

Moreover, Defendants did not delay in petitioning for IPR of Affinity's Asserted Patents. Rather, Defendants worked diligently following service of their initial disclosure of invalidity contentions on October 3, 2013 to complete the IPR petitions filed on December 2, 2013 and January 31, 2014. *See Software Rights Archive*, 2013 WL 5225522, at \*6 ("Defendants served preliminary invalidity contentions on April 29, 2013 and then spent three additional months to prepare and file the IPR petitions, which seems like a reasonable amount of time given the complexity of the claims, prosecution history and prior art at issue."). And this motion to stay was filed immediately after Judge Clark denied Affinity's emergency motion to reconsider the Court's transfer Order.

Nor do Defendants seek a stay for an improper purpose, such as obtaining a tactical advantage or purposefully delaying the proceedings. Rather, Defendants seek a stay to avoid the unnecessary expenditure of the resources of the Court, jury, USPTO, and parties. The '947, '833, and '228 patent claims were rejected by the USPTO even before Affinity filed this case against Defendants. In view of this, Defendants believed it would be more cost-effective to file IPRs on the remaining two patents (the '390 and '007 patents) so that the validity for all five asserted patents can be determined by the USPTO. There is a substantial possibility that nearly all of the asserted claims of Affinity's patents will be deemed unpatentable. Thus, it is Defendants who will be prejudiced if the case is not stayed because they will be forced to defend themselves against unpatentable claims and risk inconsistent results from the USPTO and a jury. *See Fresenius, supra*.

## V. CONCLUSION

For at least the foregoing reasons, Defendants respectfully request that this Court grant Defendants' Motion to Stay This Action Pending *Inter Partes* Review, *Inter Partes* Reexam, and *Ex Parte* Reexam Proceedings.

Respectfully submitted,

June 25, 2014

By /s/ Gabrielle E. Higgins



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1  
2 I attest that concurrence in the filing of this document has been obtained from Jerry R. Selinger  
3 whose conformed signatures are set forth above.

4 /s/ Gabrielle E. Higgins  
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**CERTIFICATE OF SERVICE**

The undersigned certifies that on June 25, 2014, **Notice of Motion and Motion to Stay This Action Pending *Inter Partes* Review, *Inter Partes* Reexam, and *Ex Parte* Reexam Proceedings; the Declaration of Christopher M. Bonny in Support of Defendants' Motion to Stay and accompanying Exhibits A-P; and Defendants' Proposed Order** were filed with the Clerk of the U.S. District Court for the Northern District of California, using the court's electronic filing system (ECF), in compliance with Civil L.R. 5-1. The ECF system serves a "Notice of Electronic Filing" to all parties and counsel who have appeared in this action, who have consented under Civil L.R. 5-1 to accept that Notice as service of this document.

/s/ Gabrielle E. Higgins  
Gabrielle E. Higgins